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SUBJECT: NEW EU-EGYPT ASSISTANCE PROGRAM

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Summary  
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¶1. (SBU) On March 6 the EU and Egypt signed a new bilateral assistance agreement worth 500 million over the next four years. The agreement includes cash transfers and funds to implement projects in a number of areas, under the rubric of a bilateral "Action Plan." Technical sub-committees of EU and GOE experts in each of the areas of the Action Plan will meet at least once per year to agree on projects to fund. The EU compromised on human rights and democracy issues as a result of GOE obstinacy, but both sides agreed to create a sub-committee to address such issues. Through the sub-committee, the EU is able to raise issues, but the GOE is under no obligation to engage substantively. EU diplomatic representatives in Cairo were pleased to have a new forum for dialogue with the GOE on democracy and human rights, but many also expressed pessimism that the GOE would be able to engage effectively in the format. End summary.

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EU-Egypt Sign New Assistance Agreement  
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¶2. (U) On March 6, the EU and Egypt signed a new bilateral assistance program worth 500 million (\$658 million) over the next four years. An additional 58 million will be available in the form of loans and interest rate subsidies, primarily from the European Investment Bank. Of the total 500 million, approximately 250 million will be cash transfers in the health and education sectors. Another 250 million will support implementation of the EU-Egypt "Action Plan," also signed on March 6 under the auspices of the EU's Neighborhood Policy. EU Commissioner for External Relations Benita Ferrero-Waldner announced during her visit to Egypt in late February that the Action Plan would support the GOE agenda for political, economic and social reforms. The new bilateral agreement replaces the EU "MEDA" program, which provided 1.1 billion to Egypt from 1996-2006.

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"Sub-Committees" Will Agree on Funding Programs  
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¶3. (U) Diego Mellado, Economic Development Officer at the EC Delegation, told econoff that in fiscal year 2007, 120 million will be allocated for education, and 77 million to begin implementing the Action Plan. The Action Plan contains several areas of

cooperation, including internal market, industry, trade, services and investment; transport, environment and energy; information society and audiovisual, research and innovation, education and culture; agriculture and fisheries; justice and security; customs co-operation and political matters - human rights, democracy, international and regional issues. Each of these areas will have a "sub-committee" composed of EU experts and their Egyptian counterparts, who will meet at least once a year to agree on projects in each area to be funded by the assistance program.

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Democracy and Human Rights Cooperation  
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¶4. (SBU) Mellado noted that 60 million is earmarked for democracy, governance and human rights issues. Of the 60 million, 40 million is in the form of a "governance facility" that allows the GOE to apply for grants, which will be awarded based on the EU's assessment of GOE governance. The governance facility is available to all members of the EU's Neighborhood Policy, and the assessment-based system allows the EU to differentiate between governments that are governing well and those that are not. In the human rights areas, the Action Plan is essentially a continuation of the EU's current programs, which include grants to NGOs, and general efforts to build civil society, according to Mellado. Sir Derek Plumbley, UK Ambassador in Cairo, was upbeat about the agreement, telling the Ambassador that the human rights component provided at least a framework for regular dialogue with the GOE on human rights.

¶5. (U) An EU statement released prior to signing of the agreement indicated that the EU and Egypt share a respect for human rights and fundamental freedoms, democracy, the rule of law, good governance and international law, all of which constitute an essential element of the 1994 EU-Egypt Association Agreement and are guiding principles of the EU Neighbourhood Policy. The committee on political (i.e., human rights) matters will give special attention to promotion and upholding of those values. The EU will seek to identify with GOE authorities ways to support Egypt's own reform measures in the area of the judiciary, civil society, police procedure and individual rights, according to the statement.

¶6. (SBU) Mellado noted that the Action Plan was set for signing in June 2006, but was delayed when the GOE balked at the EU demand that it be able to raise, in the context of experts' negotiations, specific cases of human rights abuse. The disagreement delayed signing until this March. The two parties resolved the disagreement by removing any reference to individual cases from the draft Action Plan. Instead, letters were exchanged in which the two parties agreed that the EU can raise individual cases with the GOE outside the scope of the Action Plan (e.g., the experts group would be unable to link release of EU funds to the outcome of specific cases, such as Ayman Nour).

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Prospects for Success  
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¶7. (SBU) At a March 7 meeting of G-8 DCMs in Cairo, EU DCMs tried to gloss over the obvious step-back on human rights and democracy. They noted that the amount attached to the new assistance program was a decrease from prior assistance levels. Egypt, they argued, was essentially "graduating" from assistance and the new format for dialogue in the sub-committees would, the EU side hoped, raise the quality and tenor of policy engagement by allowing EU experts to deal directly with GOE counterparts. The Egyptians drove a hard bargain on human rights issues, but had eventually agreed to creation of a political sub-committee in which the EU can raise human rights issues. The sides found constructive ambiguity on whether the sub-committee would discuss individual cases. The EU DCMs concluded that only time would tell if the GOE could adapt to this new format, but many expressed pessimism.

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